

5-3450

19 March 1954

MEMORANDUM FOR DIRECTOR OF CENTRAL INTELLIGENCE

THROUGH: AD/NE and DD/I

SUBJECT: O/NE Consultants' Meetings at [ ] 11-12 March, 1954.

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1. The following were present at some or all of these meetings:

Consultants



Guests

Rear Admiral E. S. Layton, The Joint Staff.  
Rear Admiral Chester Wood, The National War College.

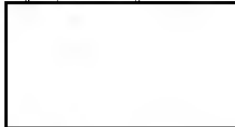
From the Board of National Estimates

Abbot Smith (Chairman)

[ ]  
L. L. Montague

From the O/NE Staff

R. S. Cline



2. In an earlier memorandum you were informed of the main points arising from the discussion at these meetings of NIE 100-3-54: Consequences of a Relaxation of Non-Communist Control of Trade with the European Soviet Bloc. The other papers discussed were at an earlier stage of production, and the fruits of the meetings can be incorporated into later drafts of these papers. I attach here, however, a brief note of some of the more interesting points that were brought out in connection with these other papers.

See Tab

Abbot Smith  
Chairman

Consultants -

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I. NIE 11-4-54: Soviet Capabilities and Probable Soviet Courses of Action through Mid-1956.

The Terms of Reference for this Estimate, and a tentative outline of the paper, were submitted for discussion.

Present: [redacted] Wood,  
Layton, [redacted]

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1. The object of this discussion was to get the advice of the Consultants as to the form and content of the annual Soviet estimate — not to discuss its substance. The Consultants approved the modifications which are contemplated for this year's estimate. They recommended that the proportion of the paper devoted to strictly military matters be somewhat reduced from that in previous Soviet Estimates. They approved our intention of analyzing the probable Soviet estimate of the world situation, and emphasized that Soviet courses of action would depend on the total world situation and the capabilities and vulnerabilities of the West, as well as on those of the Soviet Bloc itself. There were many other suggestions of a more detailed character. //

II. NIE 100-54: Implications of Increasing Soviet Nuclear Weapon Capabilities on the Policies of the Principal US Allies.

A draft of this Estimate, as prepared by the O/NIE Staff for consideration by the Board of National Estimates, was submitted to the Consultants for discussion.

Present: [redacted]  
Wood, Layton, Montague, [redacted]

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2. It is difficult to formulate a consensus of the Consultants' opinion on this paper. A few of those present thought that the existence of a plenitude of nuclear weapons both in Soviet and US hands, would produce conditions tending to bind our allies more closely to us. The majority seemed to think that the Western alliance would tend to weaken under such circumstances, because of the increased fear of war arising from the destructiveness of nuclear weapons. All Consultants agreed, however, that the content and conduct of US policy would be the main determining factor in holding the alliance together. If the allies considered US policy wisely calculated to prevent war and to protect //

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vital Western interests, they would probably stick with us. If they considered US policy to be rash or unreasonable, they would be influenced by fears of nuclear warfare to try and extricate themselves from close connection with such a policy.

3. Most Consultants thought that the principal US allies would be disinclined to support the US in strong counteractions to Communist aggression if such aggression occurred in areas not vital to the interests of the allies themselves.

4. All Consultants believed that the allies would support the US even through a grave crisis with imminent threat of war, if the allies considered that their own vital interests were involved and that the US had not created the crisis by a rash policy. However, all the Consultants emphasized the precarious basis for such a judgment. They felt it probable that there would be differences in the responses of various US allies; they had most confidence in the UK, and in West Germany. There was no disposition among the Consultants to believe that US allies would desert the alliance under threat of war because of fear of nuclear weapons; the allies might desert, however, if they thought that the war did not concern them, and had been brought on by reckless US action.

Additional Note

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5. A conference was held in O/NE on 18 March with [ ] and other representatives from [ ]. These men are now engaged in special studies relating to Western Europe, and their opinions were sought on this paper.

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6. [ ] and his associates emphasized that the French and Germans are now thoroughly convinced that the USSR will not risk war against the Western coalition and they are somewhat more assured than before that the US will not create a threat of war. Even European military men currently pay comparatively little attention to nuclear weapons, are ill-informed about them, and still tend to think of war primarily in pre-nuclear weapon terms.

7. [ ] believes that if the French became more fully informed about nuclear weapons, and become convinced that both the US and the USSR possess plenty of them, they will become greatly concerned lest the US come to regard Western Europe as essential to US security. They will fear

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that the US may withdraw the protection which it now gives Western Europe under NATO. Consequently, [ ] believes that as Soviet nuclear capabilities increase, the French may well seek a far closer integration of the NATO community than now exists, in order to assure themselves that the US remains bound to protect them. ||

[ ] suggestion of a French opinion that the US, when itself threatened with destruction by nuclear weapons, may cease to consider Western Europe strategically vital in intercontinental warfare, and may therefore forsake its European allies, has not previously been brought up in discussion of this paper. [ ] believes it to be a very probable development in French opinion. 7

### III. WIR 13-54: Communist China's Power Potential through 1957.

A short paper containing some of the facts and most of the conclusions expected to appear in this Estimate was prepared by the O/IR Staff for discussion by the Consultants. This paper was based on the contributions from C/RR, OIR, and the military agencies.

Presents: [ ] Wood, Layton, [ ] Montague.

6. The Consultants believed that the paper presented to them indicated too high a level of probable accomplishment by the Chinese Communists in expanding their economy and modernizing their armed forces during the next three years. They emphasized the great inherent limitations and obstacles which the Chinese face in these matters. They agreed with the paper that increase of agricultural production would be fundamental to the success of the whole Chinese Communist program, but they considered that such increase was unlikely to do much more than keep up with the probable growth of population. The Consultants see the Communist Chinese problem of developing economically and militarily towards great power status as being much more formidable than that facing the Soviets in the early days of the Russian Revolution. ||

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9. The Consultants agreed that Communist China would remain allied to and greatly dependent upon the USSR during the period of this estimate. || They saw no likelihood of appreciable threats to the Chinese Communist regime arising from within the country.

Item 3 - Lac Bank

File 27753 - Econ. Def.

15 March 1954

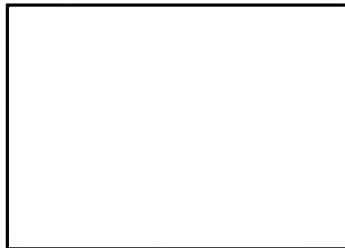
16 Mar 54

MEMORANDUM FOR DIRECTOR OF CENTRAL INTELLIGENCE

THROUGH: AD/NE and DD/I

SUBJECT: Consultants' Meeting on NIE 100-3-54: Consequences of a Relaxation of Non-Communist Control of Trade within the European Soviet Bloc.

25X1 1. The Consultants met at [ ] on 12 March, considering the Board draft of NIE 100-3-54. Consultants present were:



25X1 Also present as guests were Admiral Wood, Deputy Commandant of the National War College, and Admiral Layton, of the Joint Intelligence Group.

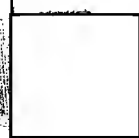
2. The Consultants unanimously agreed that the advantages to the US of the postulated relaxation of trade controls would outweigh the advantages to the Soviet Bloc. They considered that, although the Bloc would gain some benefits, the improvement in its economic and military position would be slight. On the other hand the US could, if it managed the relaxation skillfully, extract very considerable political and psychological advantages.

3. In more detail, the Consultants made the following points:

a. The actual increase in East-West trade following upon the relaxation of controls would be slight, both because the Bloc would not have the wherewithal to pay for a large increase of imports, and because the Bloc policy of self-sufficiency would make it unwilling to seek a large increase.

b. The Bloc would benefit from the added flexibility which increased foreign trade would give to its economy. Some shortages

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would be relieved. The total of such benefits would be small, however, and there is no way of knowing exactly which commodities would, if freely imported, confer most advantage on the Bloc. Nor would the list of such commodities remain the same for very long. A complete prohibition of East-West trade would therefore be necessary if it were desired to insure that the Bloc should not acquire goods of special advantage to it.

4. The consultants thought that the draft greatly underestimated the advantages which the West could derive from a relaxation of trade controls:

a. The allies of the US would be favorably impressed if the US should relax trade controls willingly, rather than reluctantly and under pressure.

b. The Bloc would probably not keep the promises of increased trade that it has been making. The allies of the US would not derive the economic advantage from such relaxation that they seem to expect, and this disappointment would be blamed on the Bloc.

c. The Satellites would probably wish to expand their trade with the West to a greater degree than the Kremlin would permit; some stresses and strains might thereby be created within the Bloc.

d. The Bloc would be deprived of a valuable propaganda weapon in that it could not accuse the US of thwarting an increase of mutually profitable trade with non-Communist peoples.

e. The relaxation could be presented in propaganda to the Bloc as an evidence of peaceful intentions, of a desire to lessen international tensions, even of a desire to ameliorate the living conditions of Bloc populations.

5. On the other hand, the Consultants recognized the probability that a relaxation of trade controls with the full approval of the US would have some tendency among US allies to reduce the feeling of urgency to maintain a united front against the Soviet threat.

Abbot Smith  
Chairman, Panel of Consultants

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